



**INTERNATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF APPLIED SCIENCES
DEPARTMENT OF COMPUTER SCIENCE
FINANCIAL AND MANAGEMENT ACCOUNTING
SIIS 5105**

**EXAMINATION PAPER
FIRST SEMESTER 2024**

This examination paper consists of 8 pages

Time Allowed: 3 hours
Total Marks: 100
Special Requirements: None
Examiner's Name:

INSTRUCTIONS

1. This paper contains a total of **(Six)** questions.
2. Answer any **(Four)** questions.
3. All questions carry **EQUAL** marks.
4. All **working notes** where necessary must be shown.

MARK ALLOCATION

QUESTION	MARKS
1.	25
2.	25
3.	25
4.	25
5.	25
6.	25
TOTAL	100

QUESTION ONE

The following information has been extracted from the books of Arran Investments for the year to 31 March 2022.

	\$000	\$000
Administrative expenses	170	
Interest paid	5	
Called up share capital (ordinary shares of \$1 each)		200
Dividend		6
Cash at bank and in hand	9	
Income tax (remaining balance from previous year)	10	
Warranty provision	90	
Distribution costs	240	
Land and buildings: at cost (Land \$1 10,000, Buildings \$100,000)	210	
accumulated depreciation (at 1 April 2021)		48
Plant and machinery: at cost	125	
accumulated depreciation (at 1 April 2021)		75
Retained earnings (at 1 April 2021)	270	
10% Loan note (issued in 2020)		80
Purchases	470	
Sales		1,300
Inventory (at 1 April 2021)	150	
Trade payables		60
Trade receivables	728	
	<hr/>	<hr/>
	2,123	2,123
	<hr/>	<hr/>

Additional information

- 1 Inventory at 31 March was valued at \$250,000.
- 2 Buildings and plant and machinery are depreciated on a straight-line basis (assuming no residual value) at the following rates:

On cost: Buildings	5%
Plant and machinery	20%
- 3 There were no purchases or sales of non-current assets during the year to 31 March 2022
- 4 The depreciation charges for the year to 31 March are to be apportioned as follows:

Cost of sales	60%
Distribution costs	20%
Administrative expenses	20%
- 5 Income taxes for the year to 31 March 2022 are estimated to be \$135,000.
- 6 The 10% loan note was issued on 1 April 2022 and is repayable five years from that date.
- 7 The year-end provision for warranty claims has been estimated at \$75,000. Warranty costs are charged to administrative expenses.

Required:

Prepare the following statements for Arran Investments for the year ended 31 March 2022:

- a) Statement of Comprehensive Income (for internal use), [17]
- b) Statement of Changes in Equity (Extract), [3]
- c) Statement of Financial Position (for publication). [5]

QUESTION TWO

- a) Explain the following terms:
 - i. Cost accounting. [2 Marks]
 - ii. Revenue centre. [2 Marks]
 - iii. Cost apportionment. [2 Marks]
 - iv. Step costs. [2 Marks]

v. Contract costing.

[2 Marks]

a) Describe the three managerial accounting functions.

[6 Marks]

b) Differentiate between managerial accounting and financial accounting by highlighting five different characteristics.

[9 Marks]

QUESTION THREE

Study the following accounts of two companies and then answer the questions which follow. Both companies are in the retail sector.

Statements of Comprehensive Income for the year ended 31 December 2019

	ComIn		Poopieie	
	\$	\$	\$	\$
Sales		250 000		160 000
Less: cost of goods sold				
Opening stock	90 000		30 000	
Add: Purchases	<u>210 000</u>		<u>120 000</u>	
Less: Closing stock	<u>(110 000)</u>	<u>(190 000)</u>	<u>(50 000)</u>	<u>(100 000)</u>
Gross profit		60 000		60 000
Less: Expenses				
Wages and Salaries	14 000		10 000	
Directors' remuneration	10 000		10 000	
Other expenses	<u>11 000</u>		<u>8 000</u>	
		<u>(35 000)</u>		<u>(28 000)</u>
Net profit		25 000		32 000
Add balance from last year		<u>15 000</u>		<u>8 000</u>
		40 000		40 000
Less appropriations				
General reserves	2 000		2 000	
Dividend	<u>25 000</u>		<u>20 000</u>	
		<u>(27 000)</u>		<u>(22 000)</u>
Balance carried to next year		<u>13 000</u>		<u>18 000</u>

Statements of Financial Position as at 31 December 2021

	ComIn		Poopicie	
	\$	\$	\$	\$
Non-current assets				
Equipment at cost	20 000		5 000	
Less depreciation to date	<u>(8 000)</u>		<u>(2 000)</u>	
		12 000		3 000
Motor lorries	30 000		20 000	
Less depreciation to date	<u>(12 000)</u>		<u>(7 000)</u>	
		<u>18 000</u>		<u>13 000</u>
		30 000		16 000
Current assets				
Stock	110 000		50 000	
Debtors	62 500		20 000	
Bank	<u>7 500</u>		<u>10 000</u>	
		<u>180 000</u>		<u>80 000</u>
		<u>210 000</u>		<u>96 000</u>
Equity and Liabilities				
Issue of share capital		100 000		50 000
Reserves				
General reserves	7 000		12 000	
Profit and loss	<u>13 000</u>		<u>18 000</u>	
		<u>20 000</u>		<u>30 000</u>
		120 000		80 000
Current liabilities				
Creditors		<u>90 000</u>		<u>16 000</u>
		<u>210 000</u>		<u>96 000</u>

Required:

- a) Calculate the following ratios of ComIm and Poopicie:
- | | | |
|-------|--|-----|
| i. | Gross profit as percentage of sales | [2] |
| ii. | Net profit as percentage of sales | [2] |
| iii. | Expenses as percentage of sales | [2] |
| iv. | Stockturn | [2] |
| v. | Rate of return on capital employed (for this question only take capital as being total of share capital + reserves at the balance sheet dates) | [2] |
| vi. | Current ratio | [2] |
| vii. | Acid test ratio | [2] |
| viii. | Debtor days | [2] |
| ix. | Creditor days | [2] |
- b) Comment briefly on the comparison of each ratio as between the two companies. State which company appears to be the most efficient, giving what you consider to be the possible reasons. [7]

QUESTION FOUR

Projects Tee and Vee both require \$20 000 initial investment and have projected cash inflows as follows:

<u>Year</u>	<u>Project Tee</u>	<u>Project Vee</u>
1	\$10 000	\$7 000
2	8 000	7 000
3	6 000	7 000
4	4 000	7 000

The firm's cost of capital is 10%.

Required:

- a) For each project calculate the following:
- i. Discounted payback period. [6]
 - ii. Net present value (NPV). [2]
 - iii. Profitability index (PI). [2]
 - iv. Internal Rate of Return (IRR) [6]
 - v. Modified Internal Rate of Return (MIRR). [6]
- b) Based on your calculations, which project is preferable? Give reasons. [3]

QUESTION FIVE

- a) Discuss the benefits of budgeting and budgetary control as a management tool for financial control. [13]
- b) Explain the problems that might be brought about by the budgeting and budgetary control system in an organization. [12]

QUESTION SIX

Once financial statements have been published, they may be used by a number of interested parties including creditors, shareholders, lenders, employees and competitors.

Explain the type of information required by each of these parties, indicating where exactly such information can be obtained from the financial statements, and how it is likely to be used.

(25 marks)

END OF QUESTION PAPER

